Japanese Carbon and Alloy Flat Products Exclusion Request

Product Category: Cold-Rolled Products (#4)

(a)	Product Designation/HTS	**Cold-Rolled Steel for Porcelain Enameling** 7225.50.80.85
(b)	Product Description	Certain cold-rolled steel sheet, whether coated or not coated which porcelain enameling prior to importation, which meets the following characteristics: Thickness (nominal) >= 0.019 inch; Width: 35 to 60 inches; chemical composition: C (max weight 0.004%), O (min weight 0.010%), B (min weight 0.012%)
(c)	Basis for Exclusion	See text below
(d)	Names and Location of U.S. and Foreign Producers	See Attachment A
(e)	U.S. Consumption	See Attachment B
(f)	U.S. Production	See Attachment B
(g)	Substitutible Products	See Attachment C

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In his request for this investigation, the U.S. Trade Representative requested that cold-rolled steel *with* porcelain enameling should be excluded from this investigation.[1] A similar exclusion was granted in the recent cold-rolled steel antidumping investigation (before it was terminated).[2] However, in requesting this product exclusion, the U.S. Trade Representative omitted the part of the Commerce Department definition that stated "certain cold-rolled steel sheet, *whether or not* coated with porcelain enameling." Omission of the phrase "whether or not" therefore limited the product exclusion to "certain cold-rolled steel sheet with porcelain enameling," which makes the substrate cold-rolled steel (before enameling) subject to this investigation.

The enameled product, but not the substrate, was excluded again in the recently filed cold-rolled steel antidumping investigation. Such a change would suggest that the U.S. steel

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[1] Letter from Robert B. Zoellick, U.S. Trade Representative, to Stephan Koplan, Chairman, U.S. International Trade Commission, at Annex II (Jun. 22, 2001).

[2] *Notice of Final Determinations of Sales at Less Than Fair Value: Certain Cold-Rolled Flat-Rolled Carbon-Quality Steel Products From Argentina, Japan and Thailand*, 65 Fed. Reg. 5520, 5524 (Feb. 4, 2000).

industry can now produce the uncoated cold-rolled steel. However, as detailed below and in the attachments hereto, no domestic mill currently makes this specialized product.

1. Cold-Rolled Steel for Porcelain Enameling Is Not Available In the United States

Cold-rolled steel for porcelain enameling is a highly specialized product that is not produced in the United States. U.S. purchasers absolutely rely on foreign sources for a consistent supply of this specialty product. For example, Polyvision manufactures markerboards, chalkboards, and writing walls, among other visual technology tools, for use in business, education, and government. Polyvision buys specialized cold-rolled steel to use in the production of these products, applying porcelain to the steel to achieve a smooth writing surface. The company's plant in Okmulgee, Oklahoma that uses this specialized cold-rolled steel sheet, employs around 80 people. Approximately 500 employees in other facilities located throughout the country further process the enameled material into the final product and therefore are also dependent on a reliable source of this important raw material. Polyvision has approximately $100 million in sales, $30 million of which is for writing boards that use cold-rolled steel. The inability to purchase certain cold-rolled steel from foreign sources would severely jeopardize Polyvision's business.

Polyvision buys very thin, very flat, high quality cold-rolled steel from [ ] of Japan. There are several chemical or physical characteristics of this material that are critical to Polyvision:

- Porcelain Enameling Grade Steel – Cold-rolled steel must be specifically formulated for the secondary process of "porcelain enameling." In the process of "porcelain enameling," a ground coat enamel coating is applied on the steel and fired at a temperature of approximately 1350 degrees F; and, then, a cover coat (or finish coat) of enamel coating is applied and fired at a temperature of approximately 1450 degrees F. Steel that is successfully formulated for porcelain enameling will bond with the fired enamel (porcelain) and will not lose its mechanical properties of shape (flatness). Steel that is unacceptable for porcelain enameling will result in poor bonding (the fired porcelain coating will "flake off"), centerbuckling, edgewaving, and warping.

- Fishscale Resistant – "Fishscale" is the term used to describe hydrogen outgassing after the firing process during porcelain enameling. If outgassing occurs, then the gases "pop" through the porcelain coating in the shape of fishscales, thus rendering the product unusable. Steel used in the porcelain enameling process must be specifically formulated to reduce hydrogen outgassing. The steel currently used at Polyvision is produced such that occlusions, or voids, are present in the steel to trap hydrogen molecules, thus preventing the hydrogen from escaping through the porcelain coating.

- Thickness – Polyvision porcelain enameled steel sheets are laminated to substrates such as hardboard, gypboard, flakeboard, and insulation board, to produce a finished "board" or "panel." The critical characteristic of the product is the porcelain surface, not the thickness, or strength of the steel. Panel strength is provided by the substrate. Thin gauge steel is preferred due to the following reasons: a) lightweight, b) purchased by

weight, sold by area, and c) thinner steel can be fired at a faster rate in the porcelain enameling process, hence lower process cost.

- Width Tolerance – The most common "panel" width is 48 inches, therefore it is critical that the steel sheet width not exceed 48 inches, and not be less that 47 7/8 inches. Hence, the specification of: +1/8 inch, - 0 inch. Other widths may be specified with the +1/8 inch, - 0 inch tolerance.

- Flatness – Porcelain enameled steel sheet must be flat prior to, and after, firing without centerbuckle or edgewave. Final products are panels, boards, walls, and projection screens that must maintain flatness for functionality.

- Appearance – Polyvision products are used for their surface characteristics. The most common products are in the area of Visual Communications such as chalk boards, marker boards, and projection screens and in specialty architectural areas such as cleanrooms, hospitals, and day care centers. The raw steel must be clean and free of surface defects such as dents, lines, burrs, or bumps, in order to produce a quality product surface.

- Edge Finish – As a final operation at the mill, coiled sheet steel is "slit" to the customers specified width. An unacceptable slitting operation results in an edge "burr" that is unacceptable in the porcelain enameling process and as a final product.

- Oil Free or Light Oil Rust Preventative Coating – The steel must be oil free or, at most, a light mineral oil that may be easily cleaned in the non-hazardous, slightly elevated pH cleaning solution at the Polyvsion plant.

- Coil Criteria – For processing on the porcelain enameling line, the raw steel coil must be coiled as follows:

    - Max. weight: 12,000 pounds (Polyvision equipment maximum)
    - Inner Diameter: 24" +/- 1/8" (Polyvision equipment diameter)

As one would expect, these detailed specifications are difficult to achieve and therefore are more costly as compared to other commodity grade cold-rolled steel. As shown in **Attachment B**, the unit price for cold-rolled steel for porcelain enameling from Japan ranged from [ ] during the period of investigation. Compare these prices to pricing data collected by the Commission for selected pricing products, which are intended to be representative of U.S. cold-rolled steel prices in general.[3] This attachment demonstrates the [ ] overselling of these specialty products imported from Japan. Imports of high-priced specialized products have no detrimental effect on the domestic industry and warrant exclusion.

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[3] *See* ITC's Staff Report at Tables FLAT-70, FLAT-71 (Public version).

2. U.S. Producers Do Not Make This Specialty Product Despite Being Given Opportunities to Do So

Polyvision has repeatedly tried to buy cold-rolled steel for porcelain enameling from various U.S. mills. None is able to provide the material to Polyvision's specifications. In briefs submitted to the ITC, we submitted substantial documentation of Polyvision's efforts to source ultra flat cold-rolled steel from domestic mills. We have not attached these documents hereto, respecting the USTR's 10-page limit. In summary, Polyvision has tried to purchase this specialty product from [ ]. Various problems arose with domestic product, such as [ ]

Despite these past problems, Polyvision continues to work with domestic suppliers, but to no avail. Many of these mills still cannot make cold-rolled steel to Polyvision's [ ] Some mills even indicated that [ ] Others would [ ] As described above, Polyvision cannot accommodate such variations or defects in the cold-rolled steel that it purchases.

3. U.S. Purchasers Would Be Harmed Substantially By Any Import Restrictions

In the event quotas or tariffs are imposed, the available steel for enameling application will decrease. Polyvision will [ ] Also, because no alternate source is currently producing acceptable porcelain enameling steel, the additional steel required would not [ ]

The imposition of any import restrictions would have a severe negative effect on Polyvision that would be passed down to the end user/consumer. It would immediately impact approximately [ ] It would further impact Polyvision's customers, such as [ ]. Given that domestic steel producers have proven their inability to provide cold-rolled steel for porcelain enameling and therefore do not need relief from imports of this product, the USTR should avoid such unintended consequences and exclude this product from any 201 remedy.

Attachment A

Foreign Producers

Domestic Producers

- No Known Domestic Producers

Cold-Rolled Steel with Porcelain Enameling

Quantity						January - June		Projections				
Company	**1996**	**1997**	**1998**	**1999**	**2000**	**YTD 2000**	**YTD 2001**	**2001**	**2002**	**2003**	**2004**	**2005**
[	2,953	6,872	4,035	7,593	7,103	3,641	3,121	7,103	7,103	7,103	7,103	7,103
Total	2,953	6,872	4,035	7,593	7,103	3,641	3,121	7,103	7,103	7,103	7,103	7,103]

Value *						January - June		Projections				
Company	**1996**	**1997**	**1998**	**1999**	**2000**	**YTD 2000**	**YTD 2001**	**2001**	**2002**	**2003**	**2004**	**2005**
[	2,032,292	5,175,320	2,958,530	5,504,085	4,934,629	2,513,673	2,256,371	4,934,629	4,934,629	4,934,629	5,340,888	4,934,629
Total	2,032,292	5,175,320	2,958,530	5,504,085	4,934,629	2,513,673	2,256,371	4,934,629	4,934,629	4,934,629	5,340,888	4,934,629]

Unit Price	0	0	0	0	0	0	0					
U.S. Production	0	0	0	0	0	0	0	0	0	0	0	0
Imports from Other Countries	0	0	0	0	0	0	0	0	0	0	0	0
Total U.S. Consumption												
[Quantity	2,953	6,872	4,035	7,593	7,103	3,641	3,121	7,103	7,103	7,103	7,103	7,103]
[Value	2,032,292	5,175,320	2,958,530	5,504,085	4,934,629	2,513,673	2,256,371	4,934,629	4,934,629	4,934,629	5,340,888	4,934,629]

Attachment C

Known Substitutable Products: None

U.S. Production: None

U.S. Producers: None